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March 30, 2018

Mary Thor
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Via email to: CallReportMod@ncua.gov

Re: Call Report/Profile Content Modernization

Dear Ms. Thor:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments concerning the National Credit Union Administration's (NCUA) request for information on Modernizing Data Collection for Supervision of Credit Unions. CUNA represents America's credit unions and their 110 million members.

Overall, CUNA is pleased that the agency recognizes the enormous regulatory burden placed on the credit union industry, especially the smallest market participants, and is seeking to streamline the examination and supervisory processes with an eye toward the future of the industry. CUNA respectfully submitted comments on the 2016 call report Advance Notice of Proposed Rulemaking (ANPR) and appreciates that NCUA was able to incorporate a number of the substantive suggestions included in our submission. We commend the intensive efforts agency staff have put forth to analyze the technical details underlying the call report accounting practices. Additionally, CUNA appreciates the agency convening working groups to address call report improvements, which allowed for significant outreach and feedback, resulting in a proposed rule that requires little significant alteration prior to adoption. CUNA believes this is an effective method to model for future rulemakings.

CUNA welcomes the retirement of impertinent account codes and deletion of irrelevant data metrics, such as interest rate reporting. We believe the groupings of relocated account codes are logical, and understand the consideration behind these improvements. Credit unions have noted that where applicable, call report fields should include basic code instructions to automatically calculate relevant formulas. We would like to see more fields pre-populated, like the prototype Schedule FC-R, PCA Net Worth Calculation Worksheet.

As the agency is aware, the credit union industry's data requirements are largely compiled and aggregated via core processor electronic systems, which for most credit unions is handled (at a cost to credit unions) via a third party, off-site business. The majority of credit unions rely on vendors to implement solutions and offerings in compliance with regulatory requirements, without significant bargaining power regarding timelines. There is concern among smaller credit

unions that their similarly-situated boutique processing firms may need additional time to bring system improvements into compliance after the largest ones have completed such data migrations. CUNA suggests a one-year timeline to permit for information technology updates, along with an additional two quarters whereby late filings or non-material reporting errors would not be subject to penalty, particularly for smaller credit unions.

CUNA appreciates NCUA's recognition that greater clarity has been requested in the call report instructions. Credit unions have consistently cited the need for additional direction and guidance from the instructions. Several credit unions have suggested the utility of a "help" box being added to the form, akin to what is included on the examiner questionnaires. This addition could save valued time for the person executing the form by eliminating the step to track down assistance tools elsewhere prior to proceeding. For example, in Schedule FC-E (Loans), the instructions fail to define the term "junior lien," making it unclear whether a lien is subordinate only when held by another institution, or whether a loan would also be deemed junior if secondary to another loan within the same institution. Generally, where definitions can be precisely provided, such is preferable to examiner interpretation of for instance, whether a motorcycle is considered a "vehicle."

Given that the Risk-Based Capital Worksheet, Schedule FC-T, is a new reporting obligation, detailed instructions would be especially useful. Further, 5300 instructions should be consistent with those found on the online portal. A dedicated help line or online chat portal could be another way to provide consistent guidance across regions, especially as deadlines to submit the new call reports approach. Credit unions have also reported that it would be helpful if the agency would conduct periodic training sessions, including related to new compliance requirements, such as for Current Expected Credit Losses (CECL) and Risk-Based Capital (RBC). Such training could be suitable as a future topic for a Learning Management System (LMS) resource offering in the Office of Credit Union Resources & Expansion (CURE).

Given the modernization efforts of the quarterly call reports as well as the Automated Integrated Regulatory Examination System (AIRES) system are concurrent initiatives, many credit unions do not, at this time, believe that the overall effect will be a reduction in reporting burden. While credit unions envision at least a one-year implementation timeline would be required to comply with the call report modernization requirements, there is also recognition that compliance with the anticipated AIRES data request changes would likely require a minimum of three years for processors to develop the tools, have them adequately tested internally and externally, and fully implemented, subject to examination.

The proposed Call Report Profile includes a page for Credit Union Programs and Member Services, wherein an institution may report availability of financial literacy and well-being programs, including those for financial counseling, education, first-time homebuyers, and credit management/repair. As many credit unions have added financial well-being as a member service, CUNA appreciates the agency's recognition of the beneficial effects such programs can have on member financial health and stability.¹ The National Credit Union Foundation has conducted significant research, outreach and training to help credit unions empower their members with

¹ The National Credit Union Foundation has extensive informational resources on CU industry efforts to improve consumer financial health. For more information: <https://www.ncuf.coop/how-we-help/improving-people-s-financial-health/improving-people-s-financial-health.cmsx>

financial health tools, and is the leading resource in this field. Should NCUA seek additional data in this area, the Foundation would be happy to provide information.

Thank you for the opportunity to provide comments on the call report modernization initiative. Should you have any questions about CUNA's comments, please feel free to contact me at (202) 626-7627.

Sincerely,

Monique Michel
Senior Director, Advocacy & Counsel